

# Get Your Money

A Newsletter by Assegai Communications

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Dear Reader

Reading time: 4 minutes

## IN THIS ISSUE:

- Three Ways To Prompt Payment From Customers
  - Legal Note # 8: Set-Off, A Useful Tool
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## THREE WAYS TO PROMPT PAYMENT FROM CUSTOMERS

Why do debtors delay payments? Let's word that a little differently – if a debtor has a limited amount of money, and a greater amount to pay, how does he decide who should be paid, and who should be kept waiting? If we can understand the factors, which will prompt a debtor to pay – or not pay – we may be able to get our company off the customers' 'pending' list and onto the 'pay' list.

The following are three of the most important reasons why the debtor will pay your company's account in preference to others:

- **You charge interest on overdue amounts.** Not just a vague threat of interest, but a real, contractual consequence of non-payment; unless there is a clear provision in your contract for the payment of interest, you will not be able to charge interest until you obtain a court order, or negotiate interest into the deal at a meeting with your customer.
- **The customer needs more products from you,** and cannot get them elsewhere. It follows that you must decline to supply product (or services) unless your account is brought up to date. This is a ploy used by office machine companies (such as those who sell photocopiers and related consumables). They combine this 'C.O.D. Rule' in conjunction with a dire warning that no other product will work with their machine – if

you use a competitor's product, this will nullify your guarantee. Powerful stuff. It works!

- **You pursue your accounts relentlessly.** Your customer must know that you will hound him until he pays, and that you will probably issue summons against him. If you can instil this belief in your customer's mind, he might just decide to pay you first, crossing less aggressive payers off his 'to pay' list – he can fob them off with assurances of payments "soon". Many businesses do not want to risk the robust approach, because they fear that they will lose customers. This is a fallacy – look at all the very successful businesses, which employ an equally aggressive policy. They make up for the rigorous account chasing by delivering real quality products and services – and if you are not doing that, you are asking for trouble!

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### LEGAL NOTE: SET-OFF, A USEFUL TOOL

Set-off operates when two amounts of money are owing between two people or companies – they just 'cancel each other out'. There are certain requirements for this to work, however. The debts must be owing between the same two companies or individuals, and the debts must both be due.

If you are owed money by a customer, and you are unable to collect the money, try creating a set-off. Find a reason to create a debt similar to the amount of money owing to you. A friend of mine did this. An attorney, he had done some work for a restaurant owner and had not been paid, in spite of sending statements for a number of months. So, he took a number of other important clients to the restaurant for lunch. When the bill for the lunch was presented he wrote a note on it, indicating that he was setting it off against the amount due to him by the owner of the restaurant. By doing this, he introduced some business to his client and arranged payment of his own account at the same time.

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